

NATIONAL CREDIT UNION ADMINISTRATION

NCUA News

NCUA and CUs Are A-Okay

NCUA earned accolades from House Banking Committee Chairman James Leach (R-Iowa) for the role it played ensuring the agency and federally insured credit union computers operated efficiently and smoothly during and after the Year 2000 rollover.

Chairman Norman E. D'Amours read the letter from Congressman Leach at the open NCUA Board meeting January 13. An excerpt states, . . . *"the National Credit Union Administration has demonstrated extraordinary leadership in making its systems Y2K compliant and, much more important, in assisting credit unions across the nation in preparing for the century date change. The results were impressive."*

Between January 1 and 4, 2000, NCUA and state supervisory staff contacted all 10,751 federally insured credit unions and 100 percent reported normal operations. The Central Liquidity Facility was tapped to provide funds to meet cash demand. Between October 27 and December 31, 1999, the CLF made 38 short-term loans totaling \$666.2 million.

In addition to contacting all credit unions, NCUA also contacted and confirmed no Y2K problems existed at 33 major credit union vendors.

As the staff made Y2K contacts, Chairman Norman E. D'Amours said, "I am confident that credit unions and all

federal financial institutions will experience few or no disruptions because they approached Y2K weekend thoroughly prepared for the century date change.

"Credit unions worked long and hard to meet Y2K compliance requirements. I'm proud that the credit union movement, along with NCUA, took the initiative several years ago and worked together cooperatively to forestall any significant disruptions," Chairman D'Amours said.

"Y2K trigger dates came and went with no major or significant glitches affecting credit unions," Board Member Dennis Dollar noted. "Systemic problems were totally nonexistent. Some have begun calling Y2K a 'non-event' and asking, Why all the fuss?"

"Calling positive Y2K results a 'non-event' does a disservice to America's credit unions who spent thousands of hours and millions of dollars to get their systems compliant, not to mention the hundreds of NCUA staff who dedicated over two years on what proved to be very effective monitoring of those efforts. Because it is being called a 'non-event' means it can be described as nothing less than a huge success," Dollar said.

Board Member Yolanda T. Wheat added, "Credit unions and the NCUA made the essential assessments, adjustments, and investments and, as a result, credit unions

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were well-positioned for December 31, 1999. It was a necessary, but worthwhile, expenditure of both time and money because credit unions are now poised to serve their members more effectively in a highly competitive, technologically sophisticated marketplace."

NCUA monitored federal credit union operations and state supervisors monitored state-chartered credit unions. Results were tabulated at NCUA and relayed to the President's Council on Y2K Communications Center in Washington. Here, our results became a tiny part of the eight major sectors the Center tracked – economic, vital infrastructure, government operations, life, public health and safety, environmental, and international. This enormous effort marks a first at simultaneously tracking the condition of major segments of public and private industry across the country.



Jan 1, 2000 — NCUA Y2K team members in Alexandria gather for the daily 3 p.m. conference call with all six regional directors and the Asset Management Assistance Center in Austin to discuss nationwide credit union operations in preparation for the 4 p.m. conference call with the FFIEC Task Force.

Central Brooklyn Returned to Members

After successful restructuring, the NCUA Board released Central Brooklyn Federal Credit Union from conservatorship on January 13, 2000.

"I want to commend everyone at NCUA and in the community who worked so hard and long to return control of this important credit union to its members. This represents a major victory for the agency, the credit union and the community," Chairman Norman E. D'Amours said after the vote.

Central Brooklyn, a \$3.8 million community development credit union, serves 2,600 low and moderate income members who live or work in Brooklyn, NY. "We've worked hard for this day," said manager Gloria Hopkins-Hassan. "Although we still have a way to go, I can see and feel things improving every day."

During the two-year restructuring, Central Brooklyn turned a profit after three years of operating losses. The success is due, in part, to strategic alliances. Among others, one bank provided substantial equity support, with a unique \$1 million recoverable grant, and another provided Central Brooklyn with a free ATM to serve its members.

"Without the help from friends and strategic alliances, we would not be here today," said Ms. Hopkins-Hassan. "Banks, credit unions and, most of all our loyal members pulled together to help out. We owe a

debt of gratitude to so many for helping us through the tough times and continuing to support our efforts. Central Brooklyn is truly a cooperative effort."

NCUA Board Members Dennis Dollar and Yolanda Wheat praised the agency staff for their positive contributions to the successful conservatorship of Central Brooklyn Federal Credit Union. "This is an outstanding example of effective regulation by

NCUA," Dollar said. "I am pleased to see Central Brooklyn returned to a community that has shown a strong desire to support its own credit union," Wheat said.

Acting Region I Director Anthony LaCreta notes, "Central Brooklyn returns to member control with capable management, a dedicated group of new officials and a strong desire to succeed. The management and board committed themselves to community service and developed a sound plan and budget with the assistance of NCUA."

Year 2000 NCUA Board Meetings Scheduled in Alexandria

Date	Meeting	Time
Jan. 13	Open	10:00am
Jan. 13	Closed	11:30am
*Feb. 3	Open	2:00pm
Feb. 3	Closed	3:00pm
Feb. 24	Open	10:00am
Feb. 24	Closed	11:30am
March 16	Open	10:00am
March 16	Closed	11:30am
April 13	Open	10:00am
April 13	Closed	11:30am
*May 3	Open	10:00 am
May 25	Open	10:00am
May 25	Closed	11:30am
June 06	Open	10:00am
June 06	Closed	11:30am
July 13	Open	10:00am
July 13	Closed	11:30am

No August Meeting

Sept. 07	Open	10:00am
Sept. 07	Closed	11:30am
Oct. 19	Open	10:00am
Oct. 19	Closed	11:30am
Nov. 16	Open	10:00am
Nov. 16	Closed	11:30am
Dec. 14	Open	10:00am
Dec. 14	Closed	11:30am

Special Board Meetings Added

To meet statutory deadlines, NCUA added two meetings to the Year 2000 Board Schedule — February 3 the NCUA Board will consider the final prompt corrective action main rule and a proposed rule on risk-based net worth requirements for "complex" credit unions. May 3 the NCUA Board will consider a final customer privacy regulation.

NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Norman D'Amours, Chairman
Yolanda T. Wheat, Board Member
Dennis Dollar, Board Member

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

Robert E. Loftus, *Director,*
Office of Public and Congressional Affairs
 Cherie Umbel, *Editor*
 Barbara Walker, *Graphics*

National Credit Union Administration
 1775 Duke Street
 Alexandria, VA 22314-3428

BOARD ACTIONS

DECEMBER 16, 1999

FCU Operating Fee Increased 5.4 Percent

The NCUA Board voted to increase, by 5.4 percent, the annual fee federal credit unions will pay to support year 2000 NCUA operations. NCUA's 2000 operating budget is \$134.9 million. The Share Insurance Fund supports 50 percent of net costs and the resulting balance to be covered by operating fees is \$57.9 million.

Because federal credit union assets are projected to increase 4.7 percent during 1999, the asset dividend points of the fee schedule will be increased by the same growth rate, except for the first and second tiers comprised of credit unions under \$750,000 in assets.

Operating Fee Schedule for FY 2000

Total Assets	Assessment Rate
\$ 0	\$500,000
\$500,000	\$750,000
\$750,000	\$496,747,788
\$496,747,788	\$1,503,151,349
	\$139,536.45 + 0.00008187 X total assets over \$496,747,788
	\$221,930.71 + 0.00002732 X total assets over \$1,503,151,349

Operating Fee Schedule For Corporate Credit Unions:

\$2,854.89 plus 0.2234 per \$1,000 of assets over \$5,000,000*
 \$6,110.11 plus 0.2111 per \$1,000 of assets over \$20,000,000
 \$12,367.25 plus 0.1987 per \$1,000 of assets over \$50,000,000
 \$22,362.33 plus 0.0123 per \$1,000 of assets over \$100,000,000

* The federal credit union operating fee scale is used for corporate federal credit unions with assets under \$5,000,000.

2000 Revolving Loan Program Interest Rate is 2 Percent

The NCUA Board announced that applications for loans and deposits of up to \$300,000 will be available at 2 percent interest for low-income designated credit unions through the Community Development Revolving Loan Program (CDRLP) during calendar year 2000.

The CDRLP was created by Congress in 1979 to support credit unions' efforts to provide community residents with basic financial and related service designed to achieve increased income, ownership, and employment.

Since 1995, additional appropriations of \$5 million have raised the Program's assets to \$11.7 million. With over \$7 million outstanding, the Program has approximately \$3 million available for loans or deposits. Based on earnings, the Program also has \$250,000 available for technical assistance grants.

NCUA Adopts a Resolution on Predatory Lending

The NCUA voted to commend and support state supervisory efforts to make elimination of predatory mortgage lending practices a top priority in Year 2000. The vote followed a report to the Board by Board Member Yolanda Wheat describing the effective level of cooperation between NCUA and state supervisory authorities across the country. (See Predatory Lending article on page 4)

Predatory Lending Resolution

The NCUA Board supports ongoing state regulatory efforts regarding the issue of predatory lending practices. The NCUA Board would like to commend the State Supervisory Authorities on making the elimination of predatory mortgage lending practices one of their top priorities for the Year 2000.

Although credit unions are generally recognized to be a part of the solution and not a part of the problem of predatory lending, the NCUA Board hereby states its willingness to support State Supervisory Authorities in their efforts to review mortgage lending practices of credit unions as they relate to other types of lenders in order for the states to determine:

To what extent, if any, credit union members in their states are being victimized by predatory mortgage lenders;

To what extent, if any, credit unions in their respective states can provide alternative mortgage programs to alleviate the need of members to utilize the services of those who engage in predatory mortgage practices; and

What, if any, regulations may be warranted at the state or federal level to more effectively regulate the possibility of predatory mortgage lending by credit unions or what regulations, if any, may need to be revised or withdrawn that may conflict with the effectiveness of the individual state's efforts to prohibit predatory mortgage lending in their respective states.

In order to support the State Supervisory Authorities in this endeavor and to ascertain the information set forth above, the NCUA hereby states its willingness to work on a cooperative basis with the State Supervisory Authorities to review issues of mutual interest and concern related to effective regulation of predatory mortgage lending.

Secondary Capital Rule Finalized

The NCUA Board adopted a final amendment to Part 701.34 of the NCUA R&Rs clarifying that interest on secondary capital accounts in low-income designated credit unions may accrue in the account, be paid directly to the investor, or be paid into a separate account for the investor.

Legislation Expected in 2000

The second session of the 106th Congress begins January 24. While Congress did succeed in enacting major financial modernization last year, several issues of interest to credit unions and NCUA remain on the table.

Information privacy will continue to be a hot topic as consumer advocates and members of Congress of both political parties attempt to enact tougher restrictions on information sharing.

Bankruptcy legislation is another item of unfinished business. The Senate is slated to return to consideration of the bankruptcy bill; the House passed its bill last summer but the Senate recessed without completing its bill.

With the scrutiny over Y2K preparations over, the House Banking Committee may return to examining regulatory oversight of on-line banking activities. There may also be some minor regulatory relief legislation this session.

Finally, it is likely that NCUA will testify at a House Appropriations Subcommittee hearing next month as a routine part of the annual appropriations process.

NCUA Board Condemns Predatory Lending

The NCUA Board unanimously adopted a stance against predatory mortgage lending practices at its December meeting and dedicated itself to work against such practices in cooperation with state credit union supervisory authorities.

The National Association of State Credit Union Supervisors (NASCUS) took the lead on this issue. The NCUA Board resolution commending NASCUS' work was sponsored by Board Member Wheat, who was designated NCUA's liaison to NASCUS by Chairman D'Amours.

Board Chairman Norman E. D'Amours praised the Resolution and the efforts being made to reduce predatory lending. "This is a very important action," he said. "It deserves the full attention of all segments of the credit union movement. I hope the entire credit union community will join in this effort."

The resolution pledges NCUA to help "determine to what extent, if any, credit union members... are being victimized by predatory mortgage lenders," and "what, if any, regulations may be warranted at the state or federal level to more effectively regulate the possibility of

predatory mortgage lending by credit unions."

"The ultimate goal here is to protect the public," Board Member Yolanda T. Wheat said. "Both federal and state regulators should work together to review regulations and work to prevent usurious and payday lending."

Under the resolution, NCUA also will explore the ability of credit unions "to provide alternative mortgage programs to alleviate the need of members to utilize the services of those who engage in predatory mortgage practices."

Board Member Dennis Dollar noted, "Credit unions are part of the solution. Federal credit unions have regulations in place that prevent predatory lending and state supervisors have the authority to put effective regulations in place to prevent predatory lending."

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Administration
1775 Duke Street
Alexandria, VA 22314-3428

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